
Jack O'Connell, Chair
John Vasconcellos
Bob Margett

PART I

May 8, 2002

1:30 p.m. — State Capitol Room 2040

<i>I.</i>	<i>Child Care and Child Development.....</i>	<i>Page 2</i>
<i>II.</i>	<i>Before and After School Program</i>	<i>Page 4</i>
<i>III.</i>	<i>Child Development Policy Advisory Committee.....</i>	<i>Page 5</i>

I. Child Care and Child Development

Background. The state makes subsidized child care services available to families transitioning off public assistance programs and to other families with exceptional financial need. Child care services provided within the California Work Opportunity and Responsibility to Kids (CalWORKs) program are administered by both the California Department of Social Services and the California Department of Education, depending upon the “stage” of public assistance transition the family is in. Stage 1 child care services are administered by the Department of Social Services to families while on aid, while Stages 2 and 3 are administered by the Department of Education. Families receiving Stage 2 child care services are either receiving a cash public assistance payment or are in a two-year transitional period from cash assistance. Families receiving Stage 3 child care services have either exhausted their two-year Stage 2 eligibility or are deemed to have exceptional financial need; the latter population is better known as the California’s “Working Poor.”

BUDGET ISSUES.

GOVERNOR’S PROPOSED REFORM (BACKGROUND). The Governor’s 2002-03 Budget proposed a major reform of the state’s subsidized child care system which would have modified current eligibility rules, reimbursement rate limits, and family fees. As a result of subsequent discussions, the Administration is in the process of revising the original proposal as part of the May Revision. At this point in time, it is unclear which components of the Governor’s original proposal will remain, and which will be revised or excluded all together.

1. RESTORATION OF EXISTING CHILD CARE PROGRAM STRUCTURE AND FUNDING (ACTION ITEM).

Given the limited amount of time available for the Legislature to review the Governor’s revised Child Care reform proposal, which is due as part of the May Revision, staff recommends that the committee take action to (1) deny the Governor’s January restructuring proposal; (2) reinstate the existing child care system; and (3) fully-fund the Stage 3 “set aside” (estimated at \$110 million above the Governor’s proposed spending level for child care).

In order to finance this additional \$110 million expenditure, staff recommends that the committee: (1) capture savings from previously unexpended funds and (2) capture savings from unallocated program expansion funding, as follows:

- A. ***Previously Unidentified Savings.*** Specifically, the Legislative Analyst identifies the following \$51.2 million in previously unidentified (one-time) savings to help restore funding for the Stage 3 “set aside” in the Budget Year:
- \$26.4 million in one-time Proposition 98 savings due to a delay in expanding childcare and state preschool services in the current year;
 - \$17.9 million in unanticipated one-time federal funds, which have been made in available to the state in the current year explicitly for childcare expenditures;

- \$4.2 million in non-CalWORKS childcare funds carried over from 2000-01;
- \$2.7 million in CalWORKS childcare carryover funds (\$1.3 million Proposition 98 and \$1.4 million federal funds) from 2000-01.

Staff recommends that the committee approve the reappropriation and subsequent expenditure of these funds for the Stage 3 “set-aside”. Further staff recommends that the committee consider implementing additional programmatic changes in order to finance the remainder (\$58 million) of the \$110 million shortfall:

B. Potential Programmatic Changes. The LAO presents the Legislature with a variety of options to reap additional Proposition 98 savings in order to fully-fund the Stage 3 “set aside.” Specifically, the LAO offers the following recommendations:

- *\$24.8 million - Reduction of the State Preschool program.* The Governor’s Budget includes a total of \$308 million (Proposition 98) for state preschool programs. Of this amount, \$14.8 million in expansion funds have yet to be distributed and CDE plans to initiate a request for application process in the budget year to fund additional state preschool slots. In addition, \$10 million has been set-aside within the Child Care Facilities Revolving Fund for state preschool facilities. These dollars will likely not be necessary if the program expansion funds are redirected for other purposes.
- *\$10 million - Deletion of the CalWORKS Center-Based Pilot Program.* The Governor’s Budget includes \$10 million for the implementation of a pilot program which would allow CalWORKS families to receive care in childcare centers, under contract with CDE. These funds were originally appropriated in 1999-2000 and have yet to be expended due to implementation difficulties at the CDE.
- *\$5.5 million - Elimination of 13 year old children from subsidized care.* As part of the Governor’s initial child care reform proposal, the budget includes the elimination of childcare services for 13 year olds, which saves approximately \$5.5 million annually. The Administration contends that no other state provides subsidized childcare for 13 year olds, primarily due to the fact that federal child care funds can only be expended on children up to and including age 12. Further, staff notes that 13 year olds may also be better served through existing Before/After School Programs.
- *\$15.3 million - Elimination of childcare services for “Grandfathered” families.* The Governor’s budget also proposes to eliminate subsidized childcare services to those families whose income exceeds 75 percent of the state median income (SMI), but is under 100 percent of the SMI. These families were initially “grandfathered” into the existing system in 1997, when the state decreased eligibility from 100 percent of SMI to 75 percent.
- *\$34 million - Eliminate payments in arrears.* CalWORKS guarantees the payment of childcare expenses for CalWORKS recipients who are working or in training. Typically, payment for these services begins after the individual’s self-sufficiency plan is approved; however, in certain cases, counties have interpreted this “guarantee” of payment to cover those individuals who were working (or in training) and on aid who, not knowing

subsidized childcare services were available, paid for the care themselves. Since current law does not specifically prohibit counties from retroactively paying CalWORKS recipients for childcare services, counties have interpreted the law to allow for the reimbursement of payment, as long as the recipient would have been eligible for childcare services during the time they paid for those services “out-of-pocket.”

Since retroactive payments have been allowed under current law, these additional cases (and accompanying dollars) have been built into counties Stage 1 CalWORKS childcare estimates (as budgeted within the Department of Social Services). Savings from the elimination of this practice is expected to be between \$34 million and \$47 million annually. Staff recommends that the committee recommend that Senate Budget Subcommittee #3 (Health and Human Services) adopt Trailer Bill Language to eliminate this practice (to be drafted by the Legislative Analyst) and redirect approximately \$34 million annually in savings to Stage 1 childcare services

Action:

2. FINANCE LETTER – CHILD CARE / DEVELOPMENT RESTRUCTURING STUDY (ACTION ITEM).

The Governor’s budget proposes \$300,000 (federal funds) for continuing data analysis associated with the Administration’s childcare reform efforts. The funding level has remained constant over the past two years and has been provided from a pool of funds (\$20 million) which was set-aside to create a statewide childcare data collection system. For the past two years the State and Consumer Services Agency has contracted with a research and consulting firm (The Results Group) to run various scenarios and cost models related to the Governor’s childcare reform proposals. The Department of Finance (through a Spring Finance Letter) has requested a change in the budget bill language that accompanies this appropriation. Specifically, DOF requests that the funds be transferred to the Department of Social Services rather than the State and Consumer Services Agency. This change corresponds with the Administration’s decision to designate the Department of Social Services as the “lead” agency for its childcare reform efforts.

Staff notes that the contract for services is between the Results Group and State and Consumer Services, although the funds are appropriated to the Department of Education. This contracting relationship has caused consternation among CDE staff and legislative staff as they have sought additional, and many time clarifying, information about the population being affected by various reform proposals. Staff recommends that the committee approve the Finance Letter.

Action:

3. CHILD CARE DATA COLLECTION BUDGET BILL LANGUAGE (ACTION ITEM).

The Governor’s 2002-03 Budget carries over unused funding from a \$22 million set-aside established five year ago to implement a statewide childcare data collection system. The 1997-98 budget provided this one-time federal funding to CDE for this purpose, in order to comply with federal reporting requirements and provide basic demographic information to assist state policymakers. Currently, there is no statewide data collection system, and obtaining information related to the number of ages of children currently served (by geographic location and income) is

extremely difficult. As a result, the Administration hired an outside contractor (Results Group) to collect and utilize such data as it was developing its childcare reform proposal.

The Department of Finance proposes budget control language that would specify a number of data elements for the comprehensive data collection system and require that the measures be used to ensure compliance with any enacted child care reforms. DOF has indicated its desire to utilize the Data Collection system to detect fraud, yet this was not the original purpose of the system. Utilizing the system for this purpose would likely require additional technical changes, further delaying its implementation. Staff recommends that the committee adopt the following revisions to the existing Budget Bill Language on this project (Note - this action conforms to an action taken in the Assembly):

Item 6110-196-0001 Provision 8(c)

The State Department of Education shall ensure that any long-term data collection system adopted by the department is able to collect data specified by Provision 8(c)(6) of Item 6110-196-0001 of the Budget Act of 2000 (Chapter 52, Statutes of 2000) to the extent determined feasible by the data collection task force, pursuant to Provision 8(b). ~~Additionally, the State Department of Education shall ensure the data collection system will facilitate childcare reforms consistent with legislation adopted in the 2002 Legislative Session, including cumulative family time receive subsidies, family fee and income verification, and other measure to ensure compliance.~~

Action:

II. After School Programs

Background. The After School and Safe Neighborhoods Partnership Program was created in 1998 to provide much-needed after-school care to students. The program was initiated partly out of concern over high juvenile crime rates between the hours of 3:00 and 6:00 PM, and the linkage between these rates and the lack of supervision for school-age children during these hours. The program has been expanded in the current year (with funding appropriated in the 2001 Budget Act) to allow for a “before-school” component. This program provides competitive grants to schools, which in partnership with communities, provide a safe and constructive academically-rich environment for students in grades Kindergarten through nine.

1. AFTER SCHOOL & SAFE NEIGHBORHOODS PARTNERSHIP PROGRAM EXPANSION (ACTION ITEM)

The 2001-02 Budget Act included an additional \$29.7 million for the After School and Safe Neighborhoods Partnership Program in order to expand the After School program and establish a Before School component, bringing the total budget for the program to \$117.5 million in the current year. However, the expansion of this program was dramatically halted in January 2002 when Senate Bill 1XXX (Peace) reduced funding by \$22.2 million (while retaining \$7.5 million to start the Before-School component during the last three months of the current fiscal year.)

In 2002-03 the Governor proposes to expand the program by \$67.5 million (for a total program budget of \$162.8 million) by: (1) redirecting \$30 million in savings obtained in the child care program (through the implementation of a new fee structure); (2) reinstating the \$22.5 million that was cut in the current year; and (3) expanding the program by an additional \$15 million.

Assuming the Legislature chooses not to implement the Governor's initial childcare proposal, the proposed expansion of the After School Program will either need to be reduced by \$30 million (since there are no new fee revenues to fund the augmentation) or the committee will need to redirect \$30 million in Proposition-98 funds from another program.

Given the condition of the General Fund, staff recommends that all new/expansion funding for this program (\$67.5 million) be placed on the "checklist" pending the May Revision.

Action:

2. FEDERAL 21ST CENTURY LEARNING CENTERS (INFORMATIONAL ITEM)

The federal 21st Century Community Learning Centers provide academic enrichment and recreational activities to students before and after regular school hours. In the past, the federal Department of Education awarded competitive grants for these centers directly to local education agencies (LEAs). The reauthorization of the Elementary and Secondary Education Act (ESEA) converts the 21st Century Centers to a state formula grant program.

The federal budget for federal fiscal year 2002 includes \$41.5 million for California to provide new grants to LEAs for the 21st Century Learning Centers; these funds are not proposed for expenditure in the Governor's January budget. Details on the implementation of the new 21st Century program are still pending; however, the Legislative Analyst recommends that the state regulations governing the Federal 21st Century Program be aligned, as much as possible, to the state's Before and After School Program. Further, the LAO recommends that the Legislature appropriate these funds in the budget year to provide before and after school services to additional students.

Staff notes that if indeed the federal 21st Century Program is closely aligned with the state's Before and After School Program, the committee may wish to reduce funding for the Before and After School Program, and appropriate the federal funds with the understanding that they would be available for a similar program and purpose.

III. Item #4220 Child Development Policy Advisory Committee (CDPAC)

Background. The Child Development Policy Advisory Committee (CDPAC) was created in 1965 (Assembly Bill 1331, Unruh) as the Governor's Advisory Committee on Preschool and Educational Programs. CDPAC operates as a citizen's review board comprised of representatives from five state departments and appointed members, including parents, public members, and family child care and child care center operators. Its mission is to provide a forum for public input on child development, and to provide public policy recommendations to the Governor, the Legislature, the Superintendent of Public Instruction, and the Secretary of Education that encourage policies and programs which are long range, developmentally appropriate and socially advanced.

- 1. PROPOSED ELIMINATION OF CDPAC (ACTION ITEM).** The Governor's 2002-03 Budget proposes to eliminate CDPAC, as of January 1, 2003. Statutory language is proposed for the Social Services Trailer Bill, and the Governor's Budget proposes \$227,000 General Fund and 4.2

positions to cover CDPAC from July 1, 2002 through December 31, 2002. This represents a reduction of \$265,000 and 4.2 positions from its current-year base budget. The budget also decreases CDPAC's expenditure authority to account for decreased reimbursements during its six months of operation.

The Governor's proposal saves \$265,000 General Fund in the budget year, yet it eliminates an organization that has provided non-partisan policy advice and guidance for many years. Staff recommends that the committee take action to retain this agency by:

- (1) Recommending to Senate Budget Subcommittee on Health and Human Services that it reject the Governor's proposed Trailer Bill Language to eliminate the Committee;*
- (2) Restoring 1.1 Personnel Year (for a total of 5.3 PYs); and*
- (3) Appropriating a total of \$612,000 (\$360,000 General Fund and \$252,000 reimbursements).*

This action reflects a ten percent reduction of General Fund Operating Equipment and Expenses and the deletion of 3.1 PYs (with accompanying costs) and amounts to a \$133,000 General Fund increase above the amount proposed by the Governor.

Action: